

Message Text

CONFIDENTIAL

PAGE 01 MANILA 06921 01 OF 02 060906Z

ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 LAB-04

EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04 CEA-01

L-03 H-01 PA-01 PRS-01 EUR-12 NEA-10 IO-13

NSCE-00 SSO-00 USIE-00 INRE-00 /111 W

-----060951Z 041444 /12

O 060826Z MAY 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 9403

C O N F I D E N T I A L SECTION 1 OF 2 MANILA 6921

USADB

FOR NAC AGENCIES

PASS TREASURY FOR NACHMANOFF/ZINMAN

E.O. 11652: GDS

TAGS: EAID, EFIN, VN

SUBJECT: SOCIALIST REPUBLIC OF VIETNAM (SRV)

1. U.S. ALTERNATE DIRECTOR WAS CALLED TO ADB PRESIDENT'S OFFICE ON MAY 6 TO RECEIVE REPORT ON BANK'S CURRENT PLANS RE RELATIONS WITH SRV. ALSO PRESENT WERE VICE PRESIDENT, GENERAL COUNSEL, DIRECTOR OF OPERATIONS AND OPERATIONS MANAGER FOR SRV.

2. PRESIDENT BEGAN BY REFERRING TO HIS MEETING ON APRIL 28 AT TREASURY DEPARTMENT, WASHINGTON, WITH ASSISTANT SECRETARY BERGSTEN AND OTHERS. IN THIS MEETING, HE HAD INDICATED HIS PREFERENCE THAT EXISTING SUSPENSION OF LOANS TO SRV BE LIFTED ONLY ON A PROJECT BY PROJECT BASIS. HOWEVER, IN VIEW OF DEVELOPMENTS SINCE ANNUAL MEETING (SEE PARA 6 BELOW) HE NOW FELT THAT A
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PAGE 02 MANILA 06921 01 OF 02 060906Z

MORE READILY JUSTIFIABLE APPROACH WAS TO TERMINATE SUSPENSION ON ALL LOANS BUT ONLY TO REACTIVATE EACH LOAN ON A PROJECT BY PROJECT BASIS. HE SAID THIS MODIFIED APPROACH WAS DIFFERENT FROM PRESENTATIONAL POINT OF VIEW BUT ACHIEVED SAME PRACTICAL RESULT AS WOULD PROJECT BY PROJECT LIFTING OF SUSPENSION, SINCE NO WITHDRAWAL FROM LOAN ACCOUNT WOULD BE PERMITTED PRIOR

TO REACTIVATION OF INDIVIDUAL PROJECTS.

3. YOU WILL RECALL THAT ON APRIL 26, 1975, ADB
PRESIDENT DECIDED TO SUSPEND WITHDRAWAL RIGHTS FOR ALL
BANK LOANS TO VIETNAM UNDER SECTION 5.02(D) OF BANK'S
THEN APPLICABLE LOAN REGULATIONS. (AS OF FEBRUARY 17,
1977, REVISED LOAN REGULATIONS BECAME APPLICABLE.
SUBJECT OF SUSPENSION BY BANK IS NOW COVERED UNDER
SECTION 8.02.) REGARDING LIFTING OF SUSPENSION,
FOLLOWING PARAGRAPH APPEARS AT END OF SECTION 8.02 OF
REVISED LOAN REGULATIONS. QUOTE: THE RIGHT OF THE
BORROWER TO MAKE WITHDRAWALS FROM THE LOAN ACCOUNT
SHALL CONTINUE TO BE SUSPENDED IN WHOLE OR IN PART,
AS THE CASE MAY BE, UNTIL THE EVENT OR EVENTS WHICH
GAVE RISE TO SUCH SUSPENSION SHALL HAVE, IN THE
REASONABLE OPINION OF THE BANK, CEASED TO EXIST OR
UNTIL THE BANK SHALL HAVE NOTIFIED THE BORROWER THAT
THE RIGHT TO MAKE WITHDRAWALS HAS BEEN RESTORED IN
WHOLE OR IN PART, WHICHEVER IS THE EARLIER. UNQUOTE.

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PAGE 01 MANILA 06921 02 OF 02 060918Z
ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 AID-05 CIAE-00 COME-00 EB-07
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02 LAB-04
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L-03 H-01 PA-01 PRS-01 EUR-12 NEA-10 IO-13
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-----060921Z 041672 /11

O 060826Z MAY 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC IMMEDIATE 9404

C O N F I D E N T I A L SECTION 2 OF 2 MANILA 6921

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FOR NAC AGENCIES

PASS TREASURY FOR NACHMANOFF/ZINMAN

4. IT IS VIEW OF GENERAL COUNSEL THAT, SINCE JANUARY
1977 VISIT OF BANK MISSION GAVE INDICATION THAT SRV
IS CAPABLE OF GOING AHEAD WITH ACTIVITIES, IT IS VERY

DIFFICULT LEGALLY TO DEFEND MAINTENANCE OF STATUS
QUO ON SUSPENSION. INDEED, UNDER ABOVE QUOTED
PARAGRAPH IT COULD WELL BE ARGUED THAT SUSPENSION ITSELF
MAY ALREADY HAVE TERMINATED WITHOUT ANY FORMAL NOTIFI-
CATION.

5. BANK, THEREFORE, NOW PLANS TO ISSUE REPORT OF
LAST JANUARY'S BANK MISSION TO SRV TO BOARD OF DIRECTORS
ON TUESDAY, MAY 10 (MANILA TIME) WITH FOLLOWING
RECOMMENDATIONS WHICH SRV WOULD BE ASKED TO ACCEPT IN
TOTO: (A) TO MAINTAIN INTEGRITY OF PROJECTS, EACH
PROJECT MUST BE EXAMINED IN DETAIL TO DECIDE IF SUB-
STANTIAL CHANGES ARE NEEDED BEFORE ANY WITHDRAWALS ARE
MADE EFFFROM LOAN ACCOUNT OR BEFORE THREE LATEST LOANS ARE
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PAGE 02 MANILA 06921 02 OF 02 060918Z

MADE EFFECTIVE. THIS MUST BE AGREED TO BY SRV BEFORE
RESUMPTION OF PROJECT ACTIVITIES. (B) IF (A) IS
ACCEPTABLE TO SRV, BANK WOULD NOTIFY SRV THAT SUSPENSION
IS NO LONGER OPERATIVE. (MANNER OF NOTIFICATION IS
NOT YET DECIDED.) HOWEVER, IN MEANTIME, BANK FEELS IT
NECESSARY TO SEND MISSION (PROBABLY NEXT WEEK)
ON SAIGON POWER PROJECT FOR WHICH CONSIDERABLE PRO-
CUREMENT PROBLEMS ALREADY EXIST THAT REQUIRE URGENT
ACTION. (PREVIOUS MISSION INCLUDED POWER PROJECT
ENGINEER WHO MADE INITIAL INVESTIGATION INTO PROJECT
STATUS.) OTHER PROJECT MISSIONS WOULD BE MOUNTED
AS EARLY AS POSSIBLE IF BOARD APPROVES PROPOSED
PACKAGE.

6. BANK'S JUSTIFICATION IS AS FOLLOWS: (A) PROPOSED
PLAN OF ACTION IS EASIER TO SUPPORT LEGALLY THAN
CONTINUATION OF SUSPENSION, WHILE POLITICALLY IT
WOULD TAKE HEAT OFF BANK VIS-A-VIS SRV AND ADB MEMBER COUNTRIES
WHICH TRADITIONALLY HAVE SUPPRTED SRV. (B) IN
SRV'S VIEW, AS INDICATED BY SRV GOVERNOR TO ADB STAFF
AND LAO DIRECTOR UNOFFICIALLY REPRESENTING SRV AFTER PRESIDENT HAD
LEFT FOR WASHINGTON, SRV IS BEING DISCRIMINATED AGAINST AND
NOT BEING GIVEN EQUAL STATUS WITH OTHER BORROWING
MEMBERS OF BANK. (C) NEWS REPORTS OF CURRRENT U.S. -SRV
TALKS IN PARIS INDICATING LIKELIHOOD OF EARLY LIFTING
OF U.S. TRADE EMBARGO ON SRV HAVE PLACED ADB PRESIDENT
IN DELICATE POSITION AND MAKE IT DIFFICULT FOR HIM TO
JUSTIFY STATUS QUO ANY LONGER.

7. PRESIDENT ASKED U.S. ALTERNATE DIRECTOR TO EXPRESS
TO U.S. OFFICIALS HI HOPE THAT THEY WOULD BE UNDER-
STANDING ABOUT THIS DEVELOPMENT.
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Message Attributes

Automatic Decaptioning: X
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Current Classification: UNCLASSIFIED
Concepts: POLICIES, DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: GS
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Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2617056
Secure: OPEN
Status: NATIVE
Subject: SOCIALIST REPUBLIC OF VIETNAM (SRV)
TAGS: EAID, EFIN, VN, US, ADB
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/efb98a99-c288-dd11-92da-001cc4696bcc
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